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CHANEL v. MELWANI2 INTERNATIONAL SDN BHD & ORS AND OTHER CASES

HIGH COURT MALAYA, KUALA LUMPUR
WONG KIAN KHEONG JC
[SUITS NO: WA-22IP-20-05-2016, WA-22IP-21-05-2016,
B WA-22IP-22-05-2016 & WA-22IP-23-05-2016]
28 FEBRUARY 2017

INTELLECTUAL PROPERTY: *Trade marks – Registered trade mark – Infringement of – Whether elements of infringement proven – Whether court could*
C *pierce company's corporate veil – Special circumstances – Whether individual may be personally liable for company's infringement of registered trade mark under s. 38(1)(a) of Trade Marks Act 1976*

CIVIL PROCEDURE: *Summary judgment – Application for – Infringement of*
D *trade marks – First and second defendants did not enter appearance in suits – Whether judgment in default of defence should be entered against first and second defendants – Whether elements of infringement proven – Whether court could pierce company's corporate veil – Special circumstances – Whether summary judgment ought to be entered against third defendant – Whether individual may be personally liable for company's infringement of registered trade mark under s. 38(1)(a) of Trade*
E *Marks Act 1976 – Rules of Court 2012, O. 13 r. 6(1), O. 19 r. 7(1)*

The plaintiff companies ('plaintiffs') were proprietors of registered trade marks for various goods in Classes 3, 9, 14, 18, 24, 25 and 35 ('plaintiffs' registered trade marks'). The first defendant company ('first defendant') was
F a company incorporated under the Companies Act 1965; the second defendant was an Indian national who was a director and owner of 78% shares in the first defendant and the third defendant was an individual who was a director and owner of 17% shares in the first defendant. The first defendant was not a distributor or retailer authorised by plaintiffs to sell goods bearing plaintiffs' registered trade marks. However, the first defendant
G sold goods bearing plaintiffs' registered trade marks (infringing goods) at the first defendant's premises. The plaintiffs' representatives had gone to the first defendant's premises and purchased infringing goods. Consequently, officers of the Ministry of Domestic Trade, Co-operatives and Consumerism ('Ministry') raided the first defendant's premises and seized items of
H infringing goods (Ministry raids). Four suits were filed by the plaintiffs against the first to third defendants ('defendants') based on infringement of plaintiffs' registered trade marks under s. 38(1)(a) of the Trade Marks Act 1976. The plaintiffs served the writ and statement of claim of four suits (four SOC's) on the first and second defendants by way of substituted service.
I The first and second defendants however did not enter appearance. The third defendant entered appearance and filed a defence. The plaintiffs initially filed four applications for summary judgment against the third defendant ('four SJ

applications'). After the plaintiffs obtained leave of this court to amend the four SJ applications, the third defendant filed four applications for security for costs against the plaintiffs ('four SFC applications'). The plaintiffs and third defendant consented to the following: (i) the four SFC applications to be heard together before the four amended SJ applications; and (b) the four amended SJ applications to be heard together after the disposal of the four SFC applications. The issues that arose in this case were, *inter alia* (i) whether a judgment in default of defence should be entered against the first and second defendants; (ii) whether plaintiffs could obtain summary judgment against the third defendant; (iii) whether court should pierce the first defendant's corporate veil; and (iv) whether an individual may be personally liable for a company's infringement of a registered trade mark under s. 38(1)(a) of the Trade Marks Act 1976.

Held (granting summary judgment against third defendant):

(1) As the first and second defendants did not enter appearance in the four suits, summary judgment could not be made against them. Having said that, this court was also not inclined to dismiss the four amended SJ applications against the first and second defendants. The four SOC's claimed for, among others, injunction and inquiry of damages. By reason of O. 13 r. 6(1) of the Rules of Court 2012 ('ROC'), the plaintiffs could proceed with the four suits against the first and second defendants as if the first and second defendants had entered appearance. The court also has a discretion to enter a judgment in default of defence against the first and second defendants and if the court so exercised its discretion to record a judgment in default of defence against the first and second defendants, the court has a further discretion to award whatever relief which the court thinks fit and just (O. 19 r. 7(1) of the ROC). This court had also dismissed the four SFC applications with costs on the ground that those applications had not been made in good faith but were instead filed with a collateral purpose to stifle the four amended SJ applications. (paras 2 & 8)

(2) The five elements of the first defendant's infringement had been proven, namely, (i) the first defendant was neither the registered proprietor nor the registered user of plaintiffs' registered trade marks; (ii) first defendant had used marks (offending marks) identical with or so nearly resembling the plaintiffs' registered trade marks as was likely to deceive or cause confusion; (iii) the first defendant had used offending marks in the course of trade; (iv) the first defendant had used offending marks in relation to goods within the scope of registration of plaintiffs' registered trade marks; and (v) the first defendant had used offending marks in such a manner as to render that use likely to be used as a trade mark. (para 13)

(3) The four suits and four amended SJ applications sought to pierce the first defendant's corporate veil so as to impose personal liability on the third defendant for the first defendant's infringement. The plaintiffs had adduced affidavit evidence which affirmed that in respect of infringing goods, criminal proceedings had been instituted against the first defendant in the Sessions Court for offences under s. 8 of the Trade Descriptions Act 2011; that the first defendant had pleaded guilty to the said charges and was fined a total of RM318,000 and that the said fine had been personally paid by the third defendant. The third defendant was under no obligation whatsoever to pay RM318,000 fine for the first defendant, and yet the third defendant did so. It was inconceivable for any reasonable individual to pay a hefty sum imposed on a company if that individual was not the controller, *alter ego* and the directing mind and will of the company. (paras 17- 20)

(4) The defence and affidavit of the third defendant in all four suits claimed to have resigned as a director of the first defendant 'at the end of 2014. Such an allegation could not be accepted. If the third defendant had indeed resigned as a director of the first defendant, there would be no reason for the third defendant to have personally paid RM318,000 fine for the first defendant. A search dated 28 April 2016 from the records of the Companies Commission of Malaysia showed that the third defendant was still a director of the first defendant. The third defendant had also not adduced any documentary evidence regarding his alleged resignation as the first defendant's director. Further, the third defendant owned 170,000 paid up shares in the first defendant. The third defendant had a substantial financial interest in the first defendant. Accordingly, the third defendant could not claim ignorance of the first defendant's infringement when he had invested substantially in the first defendant which only sold infringing goods. There thus existed the special circumstances to pierce the first defendant's corporate veil. The third defendant should not evade statutory liability for trade mark infringement under s. 38(1)(a) of the TMA owed to the plaintiffs and/ or the first defendant's corporate personality should not be abused by the third defendant. (para 20)

(5) The third defendant had the legal onus to raise a triable issue so as to resist successfully the four amended SJ applications. Based on the evidence, the third defendant had not successfully discharged the legal burden to raise an issue which should be tried in the four suits. There was no 'other reason for trial' in the four suits as there was no circumstances which ought to be investigated in these cases, especially in light of the third defendant's payment of RM318,000 fine for the first defendant. Thus, summary judgment was granted against the third defendant. (para 21)

Case(s) referred to:

Abercrombie & Fitch Co & Anor v. Fashion Factory Outlet KL Sdn Bhd & Ors [2008] 7 CLJ 413 HC ***(refd)***

Acushnet Company v. Metro Golf Manufacturing Sdn Bhd [2006] 7 CLJ 557 HC ***(refd)***

Atlas Maritime Co SA v. Avalon Maritime Ltd (The Coral Rose) (No. 1) [1991] 4 All ER 769 ***(refd)***

Cempaka Finance Bhd v. Ho Lai Ying & Anor [2006] 3 CLJ 544 FC ***(refd)***

Creative Techonology Ltd v. Cosmos Trade-Nology Pte Ltd & Anor [2003] 3 SLR (R) 697 ***(refd)***

Deepak Jaikishan Jaikishhan Rewachand & Anor v. Intrared Sdn Bhd (previously known as Reetaj City Centre Sdn Bhd and formerly known as KFH Reetaj Sdn Bhd) & Anor [2013] 7 MLJ 437 ***(refd)***

Fabrique Ebel Societe Anonyme v. Syarikat Perniagaan Tukang Jam City Port & Ors [1989] 1 CLJ 919; [1989] 1 CLJ (Rep) 537 HC ***(refd)***

Ferco Seating Systems (M) Sdn Bhd v. Product People Pty Ltd [2008] 10 CLJ 210 HC ***(refd)***

Giga Engineering & Construction Sdn Bhd v. Yip Chee Seng & Sons Sdn Bhd & Anor [2015] 9 CLJ 537 FC ***(refd)***

Gurbachan Singh Bagawan Singh & Ors v. Vellasamy Pennusamy & Other Appeals [2015] 1 CLJ 719 FC ***(refd)***

KTL Sdn Bhd & Anor v. Leong Oow Lai & Other Cases [2014] 1 LNS 427 HC ***(refd)***

Leo Pharmaceutical Products Ltd AS (Lovens Kemiske Fabrik Produktionsaktieselskab) v. Kotra Pharma (M) Sdn Bhd (No 2) [2012] 10 CLJ 507 HC ***(refd)***

Lim Eng Kay v. Jaafar Mohamed Said [1982] CLJ 298; [1982] CLJ (Rep) 190 FC ***(refd)***

Mackt Logistics (M) Sdn Bhd v. Malaysian Airline System Bhd [2014] 5 CLJ 851 CA ***(refd)***

Microsoft Corporation v. PC House (Imbi) Sdn Bhd [1998] 5 CLJ 474 HC ***(refd)***

Muthammah Govindan v. Masri Mohamed & Anor [2000] 2 CLJ 186 HC ***(refd)***

National Company for Foreign Trade v. Kayu Raya Sdn Bhd [1984] 2 CLJ 220; [1984] 1 CLJ (Rep) 283 FC ***(refd)***

Nik Mohd Yusof Nik Ismail v. Majlis Daerah Hulu Selangor [2005] 2 CLJ 472 HC ***(refd)***

Pentadbir Tanah Daerah Pontian & Ors v. Ossons Ventures Sdn Bhd [2009] 6 CLJ 713 CA ***(refd)***

Solid Investments Ltd v. Alcatel Lucent (Malaysia) Sdn Bhd [2014] 3 CLJ 73 FC ***(refd)***

Sunrise Sdn Bhd v. First Profile (M) Sdn Bhd & Anor [1997] 1 CLJ 529 FC ***(refd)***

Tan Tek Seng v. Suruhanjaya Perkhidmatan Pendidikan & Anor [1996] 2 CLJ 771 CA ***(refd)***

Trade Facilities Pte Ltd & Ors v. Public Prosecutor [1995] 2 SLR (R) 7 ***(refd)***

United Merchant Finance Bhd v. Majlis Agama Islam Negeri Johor [1999] 2 CLJ 151 FC ***(refd)***

Legislation referred to:

Companies Act 2016, s. 20(a)

Rules of Court 2012, O. 13 rr. 1, 2, 3, 4, 5, 6(1), O. 14 rr. 1(1), (2)(b), 2(1), 3(1), 4(1), 6(1), O. 19 rr. 2, 3, 4, 5, 6, 7(1), (3), O. 59 r. 7(4)

Rules of the High Court 1980, O. 19 r. 7(1)

Trade Descriptions Act 2011, s. 8

Trade Marks Act 1976, s. 38(1)(a)

For the plaintiff - Jasdev Singh Gill, Geraldine Shamini & Sukumar Karuppiah; M/s Jasdev Chambers

For the 3rd defendant - Loo Chay Meng & Siti Fariza Faris; M/s Abu Hassan & Assocs

Reported by Suhainah Wahiduddin

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JUDGMENT

Wong Kian Kheong JC:

Introduction

B **[1]** This judgment discusses a novel question of whether an individual may be personally liable for a company's infringement of a registered trade mark under s. 38(1)(a) of the Trade Marks Act 1976 (TMA).

Background

[2] In these four suits (four suits):

C

(a) the plaintiff companies (plaintiffs) are proprietors of registered trade marks for various goods in classes 3, 9, 14, 18, 24, 25 and 35 (plaintiffs' registered trade marks);

(b) the first defendant company (first defendant) is a company incorporated under the Companies Act 1965 [CA (1965)];

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(c) the second defendant (second defendant) is an Indian national who is a director and owner of 78% shares in first defendant; and

(d) the third defendant (third defendant) is an individual who is a director and owner of 17% shares in first defendant.

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[3] The first defendant is not a distributor or retailer authorised by plaintiffs to sell goods bearing plaintiffs' registered trade marks. However, first defendant sold goods bearing plaintiffs' registered trade marks (infringing goods) at first defendant's business premises at Regency Suite, 30th Floor, Pacific Regency Hotel Suites, Jalan Punchak, off Jalan Ramlee 50250 Kuala Lumpur (first defendant's premises).

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[4] Plaintiffs' representatives had gone to first defendant's premises and purchased infringing goods on 27 April 2012, 23 November 2013, 29 March 2014, 14 June 2014, 7 September 2014 and 25 December 2014. Consequently, officers of the Ministry of Domestic Trade, Co-operatives and Consumerism (Ministry) raided first defendant's premises on 22 July 2012, 16 August 2014, 20 September 2014 and 25 December 2014 and seized items of infringing goods (Ministry's raids).

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[5] The four suits have been filed by plaintiffs against first to third defendants (defendants) based on infringement of plaintiffs' registered trade marks under s. 38(1)(a) of the TMA.

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[6] In the four suits:

(a) Plaintiffs had served the writ and statement of claim of four suits (four SOC's) on first and second defendants by way of substituted service. First and second defendants however did not enter appearance;

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(b) Third defendant had entered appearance and had filed a defence;

(c) Plaintiffs initially filed four applications for summary judgment against third defendant (four SJ applications). Subsequently, plaintiffs obtained leave of court to amend four SJ applications to apply for summary judgment against all the defendants (four amended SJ applications);

(d) after plaintiffs had obtained leave of this court to amend four SJ applications, third defendant filed four applications for security for costs against plaintiffs (four SFC applications);

(e) the plaintiffs and third defendant consented to the following:

(i) Four SFC applications to be heard together before four amended SJ applications; and

(ii) Four amended SJ applications to be heard together after the disposal of four SFC applications; and

(f) this court dismissed four SFC applications with costs on the ground that those applications had not been made in good faith but were instead filed with a collateral purpose to stifle four amended SJ applications (dismissal of four SFC applications). No appeal to Court of Appeal has been filed by third defendant against the dismissal of four SFC applications.

Relevant Principles In Deciding Summary Judgment Application

[7] The following trite principles apply in deciding four amended SJ applications:

(1) once plaintiffs have fulfilled the following three matters in O. 14 rr. 1(1) and 2(1) of the Rules of Court 2012 (RC), namely:

(a) four SOC's have been served on defendants;

(b) defendants have entered appearance; and

(c) deponents of plaintiffs have affirmed affidavits verifying the facts on which four SOC's are based and the belief of plaintiffs' deponents that there is no defence by defendants to four SOC's

- the burden then shifts to defendants to resist four amended SJ applications by satisfying this court under O. 14 rr. 3(1) and 4(1) of the RC that there is "an issue or question in dispute which ought to be tried". This is clear from the following two Federal Court cases:

(i) please see George Seah FJ's (as he then was) judgment in *National Company for Foreign Trade v. Kayu Raya Sdn Bhd* [1984] 2 CLJ 220; [1984] 1 CLJ (Rep) 283, at 285; and

(ii) the judgment of Steve Shim CJ (Sabah & Sarawak) in *Cempaka Finance Bhd v. Ho Lai Ying & Anor* [2006] 3 CLJ 544, at 551-552; and

(2) even if defendants cannot raise any triable issue, four amended SJ applications should still be dismissed under O. 14 r. 3(1) of the RC if "there ought for some other reason to be a trial", namely there are circumstances that ought to be investigated by the court - please see Federal Court's judgment delivered by Mohd Dzaiddin FCJ (as he then was) in *United Merchant Finance Bhd v. Majlis Agama Islam Negeri Johor* [1999] 2 CLJ 151; [1999] 1 MLJ 657, at 666-668.

Judgment In Default Of Defence Should Be Entered Against First And Second Defendants

[8] As the first and second defendants did not enter appearance in the four suits, summary judgment cannot be made against them - please see O. 14 r. 1(1) of the RC. Having said that, this court is not inclined to dismiss four amended SJ applications against the first and second defendants. This is due to the following reasons:

(1) Four SOC's claimed for, among others, injunction and inquiry of damages. In view of the relief claimed by plaintiffs, O. 13 r. 6(1) of the RC (not O. 13 rr. 1 to 5 of the RC) applies to four suits. Order 13 r. 6(1) of the RC provides as follows:

> *Where a writ is endorsed with a claim of a description not mentioned in rules 1 to 4, then, if any defendant fails to enter an appearance, the plaintiff may, after the time limited for appearing and upon filing an affidavit proving due service of the writ on that defendant and, where the statement of claim was not endorsed on or served with the writ, upon serving a statement of claim on him, proceed with the action as if that defendant had entered an appearance.*
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> (emphasis added).

By reason of O. 13 r. 6(1) of the RC, plaintiffs could proceed with four suits against the first and second defendants as if the first and second defendants had entered appearance;

(2) Order 19 r. 7(1) and (3) of the RC state as follows:

> O. 19 r. 7(1) *Where the plaintiff makes against a defendant or defendants a claim of a description not mentioned in rules 2 to 5, then, if the defendant or all the defendants (where there is more than one) fails or fail to serve a defence on the plaintiff, the plaintiff may, after the expiration of the period fixed under these Rules for service of the defence, apply to the Court for judgment, and on the hearing of the application the Court shall give such judgment as the plaintiff appears entitled to on his statement of claim.*
>
> …
>
> r 7(3) *An application under paragraph (1) shall be by notice of application.*
>
> (emphasis added).

I am of the following view:

(a) due to the relief prayed for in four SOC's, O. 19 rr. 2 to 6 of the RC do not apply to four suits;

(b) Prayer 7 of four amended SJ applications had prayed for further and other reliefs as the court thinks fit (prayer 7). I am of the view that prayer 7 constitutes an application within the meaning of O. 19 r. 7(3) of the RC. The following appellate cases have held that the court may resort to prayer 7 and grant any appropriate remedy as is just:

(i) Salleh Abas FJ's (as he then was) judgment in Federal Court case of *Lim Eng Kay v. Jaafar Mohamed Said* [1982] CLJ 298; [1982] CLJ (Rep) 190, at 198;

(ii) the decision of Gopal Sri Ram JCA (as he then was) in the Court of Appeal in *Tan Tek Seng v. Suruhanjaya Perkhidmatan Pendidikan & Anor* [1996] 2 CLJ 771, at 814-815; and

(iii) Zainun Ali JCA's (as she then was) majority judgment in the Court of Appeal in *Pentadbir Tanah Daerah Pontian & Ors v. Ossons Ventures Sdn Bhd* [2009] 6 CLJ 713, at 723-724; and

(c) Order 19 r. 7(1) of the Rules of the High Court 1980 (RHC) is identical with O. 19 r. 7(1) of the RC. As such, previous cases which have entered judgment in default of defence pursuant to O. 19 r. 7(1) of the RHC, can be applied in the construction of O. 19 r. 7(1) of the RC. In the following High Court cases, judgments in default of defence have been entered under O. 19 r. 7(1) of the RC:

(i) Steve Shim J's (as he then was) decision in *Microsoft Corporation v. PC House (Imbi) Sdn Bhd* [1998] 5 CLJ 474; [1998] 6 MLJ 402, at 403-404;

(ii) the judgment of Suriyadi J (as he then was) in *Nik Mohd Yusof Nik Ismail v. Majlis Daerah Hulu Selangor* [2005] 2 CLJ 472; [2005] 4 MLJ 338, at paras. 16 and 17;

(iii) Abdul Malik Ishak J's (as he then was) judgment in *Muthammah Govindan v. Masri Mohamed & Anor* [2000] 2 CLJ 186; [2000] 5 MLJ 518, at 523-524; and

(iv) the decision of Tengku Maimun J (as she then was) in *Ferco Seating Systems (M) Sdn Bhd v. Product People Pty Ltd* [2008] 10 CLJ 210; [2009] 6 MLJ 874, at paras. 8 and 9;

(3) despite the use of the mandatory term "shall" in O. 19 r. 7(1) of the RC, the following cases have held that the court has a discretion to enter judgment in default of defence - *Microsoft Corp* and *Muthammah*. Accordingly, the court has a discretion to enter a judgment in default of

defence against the first and second defendants and if the court so exercises its discretion to record a judgment in default of defence against the first and second defendants, the court has a further discretion to award whatever relief which the court thinks fit and just; and

(4) I exercise my discretion under O. 19 r. 7(1) of the RC:

(a) not to grant a mandatory injunction to compel the first and second defendants to:

(i) deliver infringing goods to plaintiffs' solicitors within seven days from the date of judgment in default of defence;

(ii) deliver all documents and records regarding infringing goods to plaintiffs' solicitors within seven days from the date of judgment in default of defence;

(iii) affirm, file and serve an affidavit on plaintiffs' solicitors which verifies the execution of the above delivery orders;

(iv) disclose information within seven days from the date of judgment in default of defence regarding the suppliers, customers and details of supply and offer of infringing goods; and

(v) affirm, file and serve an affidavit on plaintiffs' solicitors which verifies the disclosure of the above information; and

(b) to grant the following orders:

(i) a perpetual injunction to restrain the first and second defendants from infringing plaintiffs' registered trade marks;

(ii) an inquiry to be held by learned Registrar (inquiry) to assess damages for the infringement of plaintiffs' registered trade marks (assessed damages);

(iii) first and second defendants shall pay assessed damages to plaintiffs;

(iv) first and second defendants shall pay to plaintiffs interest at the rate of 5% per annum on the assessed damages from the date of judgment in default of defence until the date of full payment of assessed damages;

(v) costs of inquiry shall be determined by learned Registrar and shall be paid by the first and second defendants to plaintiffs;

(vi) costs of RM5,000 for each of four suits shall be paid by the first and second defendants to plaintiffs; and

(vii) an allocatur fee shall be imposed on all the above costs in accordance with O. 59 r. 7(4) of the RC.

Whether Plaintiffs Can Obtain Summary Judgment Against Third Defendant

Contention Of Parties

[9] The plaintiffs advanced the following submission, among others, in support of four amended SJ applications against third defendant:

(1) first defendant had infringed plaintiffs' registered trade marks under s. 38(1)(a) of the TMA (first defendant's infringement);

(2) the third defendant was liable for the first defendant's infringement because:

(a) third defendant being a director and shareholder of the first defendant, together with second defendant, had caused the first defendant's infringement as part of a common and concerted design among the first, second and third defendants;

(b) third defendant together with second defendant had procured, authorised, induced and assisted in the first defendant's infringement;

(c) third defendant had actively marketed and promoted infringing goods;

(d) third defendant was aware of the first defendant's infringement and continued to be a director of the first defendant;

(e) third defendant had personally paid fines imposed by Shah Alam Sessions Court on the first defendant (please see below); and

(f) third defendant is the directing mind and will of the first defendant; and

(3) plaintiffs rely on, among others, the following Singapore High Court cases:

(a) Belinda Ang Saw Ean J's judgment in *Creative Technology Ltd v. Cosmos Trade-Nology Pte Ltd & Anor* [2003] 3 SLR (R) 697; and

(b) Yong Pung How CJ's decision in *Trade Facilities Pte Ltd & Ors v. Public Prosecutor* [1995] 2 SLR (R) 7.

[10] The third defendant resisted four amended SJ applications on the following grounds, among others:

(i) four amended SJ applications are based on fraud. Order 14 r. 1(2)(b) of the RC does not allow summary judgment to be given in a suit which is based on an allegation of fraud; and

(ii) additionally or alternatively, four amended SJ applications should be dismissed as there are issues to be tried in this case as follows:

(a) whether the third defendant was involved in the daily management of first defendant;

(b) whether the first defendant's infringement was committed by second defendant alone or with the help of third defendant;

(c) whether documents regarding infringing goods (applied for in prayer 2(b) of four amended SJ applications) are in third defendant's possession;

(d) whether the offence under s. 8 of the Trade Descriptions Act 2011 (TDA) with which the first defendant was charged by the Public Prosecutor (PP), could be attributed to third defendant;

(e) whether the third defendant was liable for the first defendant's infringement merely on the fact that third defendant was a director of the first plaintiff; and

(f) whether the principle of *Salomon v. Salomon* would exclude third defendant's liability for the first defendant's infringement.

Elements Of Trade Mark Infringement Under s. 38(1)(a) TMA

[11] The relevant part of s. 38(1)(a) of the TMA is reproduced below:

> 38. Infringement of a trade mark
>
> (1) *A registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or registered user of the trade mark using by way of permitted use, uses a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion in the course of trade in relation to goods or services in respect of which the trade mark is registered in such a manner as to render the use of the mark likely to be taken either*:
>
> (a) **as being use as a trade mark**; …

(emphasis added).

[12] In the High Court case of *Leo Pharmaceutical Products Ltd AS (Lovens Kemiske Fabrik Produktionsaktieselskab) v. Kotra Pharma (M) Sdn Bhd (No 2)* [2012] 10 CLJ 507, at paras. 83 and 84, Low Hop Bing J (as he then was) explained the five elements of trade mark infringement under s. 38(1)(a) of the TMA (five elements) as follows:

> [83] **The law regulating the infringement of a trade mark is enacted in s. 38(1)** which reads:
>
> …
>
> [84] **In order to succeed in this cause of action, it is incumbent upon the plaintiff to prove that**:
>
> (a) **the defendant is neither the registered proprietor nor the registered user of the trade mark;**

(b) **the defendant used a mark identical with or so nearly resembling the plaintiff's registered trade mark as is likely to deceive or cause confusion;**

(c) **the defendant was using the offending mark in the course of trade;**

(d) **the defendant was using the offending mark in relation to goods or service within the scope of the registration; and**

(e) *the defendant used the offending mark in such a manner as to render the use likely to be taken either as being used as a trade mark or as importing a reference to the registered proprietor or the registered user or to their goods or services.*

(See *Fabrique Ebel Societe Anonyme v. Sykt Perniagaan Tukang Jam City Port & Ors* [1989] 1 CLJ 919; [1989] 1 CLJ (Rep) 537, 540 & 541 per Zakaria Yatim J (later FCJ) and applied by the same judge in *A Clouet & Co Pte Ltd v. Maya Toba Sdn Bhd* [1996] 1 BLJ 239).

(emphasis added).

[13] I am satisfied that the five elements of the first defendant's infringement have been proven by the following undisputed affidavit evidence adduced by plaintiffs in four amended SJ applications:

(a) first defendant is neither the registered proprietor nor the registered user of plaintiffs' registered trade marks;

(b) first defendant had used marks (offending marks) identical with or so nearly resembling plaintiffs' registered trade marks as was likely to deceive or cause confusion;

(c) first defendant had used offending marks in the course of trade;

(d) first defendant had used offending marks in relation to goods within the scope of registration of plaintiffs' registered trade marks; and

(e) first defendant had used offending marks in such a manner as to render that use likely to be used as a trade mark.

[14] The defence, affidavits and written submission of third defendant did not dispute the commission of the first defendant's infringement.

[15] The following High Court cases have granted summary judgment for trade mark infringement under s. 38(1) of the TMA:

(a) Zakaria Yatim J's (as he then was) decision in *Fabrique Ebel Societe Anonyme v. Syarikat Perniagaan Tukang Jam City Port & Ors* [1989] 1 CLJ 919; [1989] 1 CLJ (Rep) 537; [1988] 1 MLJ 188, at 193; and

(b) the judgment of Ramly Ali J (as he then was) in:

(i) *Acushnet Company v. Metro Golf Manufacturing Sdn Bhd* [2006] 7 CLJ 557, at para. 102; and

(ii) *Abercrombie & Fitch Co & Anor v. Fashion Factory Outlet KL Sdn Bhd & Ors* [2008] 7 CLJ 413, at para. 86.

Whether Court Should Pierce The First Defendant's Corporate Veil

[16] I am of the following view regarding the piercing or lifting of a company's corporate veil:

(1) a company is a legal person which is separate from its directors, shareholders and employees (please see the present s. 20(a) of the Companies Act 2016). Accordingly, the general rule is that a company's directors, shareholders and employees should not be personally liable for the company's act or omission;

(2) the court should only pierce or lift a company's corporate veil in exceptional circumstances provided by:

(a) statute (statutory exception). An example of statutory exception is the Court of Appeal's judgment delivered by Abdul Malik Ishak JCA in *Mackt Logistics (M) Sdn Bhd v. Malaysian Airline System Bhd* [2014] 5 CLJ 851, at 865; and

(b) case law (case law exception);

(3) there is a difference between the piercing of a corporate veil and its lifting. A company's corporate veil is pierced by a party when the party seeks to impose personal liability on an individual who may or may not be the company's director, shareholder or employee. The court lifts the corporate veil of a company to ascertain the true factual position without imposing any personal liability on a particular individual [please see Staughton LJ's judgment in the English Court of Appeal case of *Atlas Maritime Co SA v. Avalon Maritime Ltd (The Coral Rose) (No. 1)* [1991] 4 All ER 769, at 779, which was followed in *KTL Sdn Bhd & Anor v. Leong Oow Lai & Other Cases* [2014] 1 LNS 427; [2014] AMEJ 1458, at paras. 66 and 67];

(4) piercing or lifting a company's corporate veil is not a cause of action in itself - please see Nallini Pathmanathan J's (as she then was) judgment in the High Court case of *Deepak Jaikishan Jaikishhan Rewachand & Anor v. Intrared Sdn Bhd (previously known as Reetaj City Centre Sdn Bhd and formerly known as KFH Reetaj Sdn Bhd) & Anor* [2013] 7 MLJ 437, at 458;

(5) piercing or lifting a corporate veil is also not a remedy in itself. Having said that, there is nothing in law to prohibit a party from applying to court for a declaration that an individual is the controller, *alter ego* or "directing mind and will" of a company;

(6) to pierce or lift a corporate veil, three recent Federal Court judgments require two conditions to be fulfilled cumulatively (two conditions), namely:

(a) the piercing or lifting of a corporate veil is in the interest of justice (first condition); and

(b) there exist special circumstances to pierce or lift the corporate veil (second condition), such as:

(i) there has been commission of actual fraud or common law fraud;

(ii) equitable fraud or constructive fraud has been committed;

(iii) to prevent evasion of liability; or

(iv) to prevent an abuse of corporate personality.

I rely on the following three Federal Court judgments which have laid down the two conditions:

(aa) Hasan Lah FCJ's judgment in *Solid Investments Ltd v. Alcatel Lucent (Malaysia) Sdn Bhd* [2014] 3 CLJ 73, at 92;

(bb) the decision of Richard Malanjum CJ (Sabah & Sarawak) in *Gurbachan Singh Bagawan Singh & Ors v. Vellasamy Pennusamy & Other Appeals* [2015] 1 CLJ 719; [2015] 1 MLJ 773, at paras. 96-99; and

(cc) the judgment of Richard Malanjum CJ (Sabah & Sarawak) in *Giga Engineering & Construction Sdn Bhd v. Yip Chee Seng & Sons Sdn Bhd & Anor* [2015] 9 CLJ 537, at paras. 39, 44 and 45;

(7) in respect of the second condition:

(a) the categories of special circumstances to pierce or lift the corporate veil, are not closed; and

(b) the second condition is laid down by case law and should not be applied in an inflexible manner as if the second condition is a strict mandatory statutory requirement; and

(8) whether the court should exercise its discretion to pierce or lift the corporate veil is a question of fact dependent upon the particular circumstances of the case in question. As such, decided cases on this matter are not binding precedents from the viewpoint of the *stare decisis* doctrine.

[17] The four suits and four amended SJ applications sought to pierce the first defendant's corporate veil so as to impose personal liability on third defendant for the first defendant's infringement.

[18] Plaintiffs had adduced affidavit evidence which affirmed the following:

(a) in respect of infringing goods, PP had instituted criminal proceedings against, among others, first defendant, in the Shah Alam Sessions Court for offences under s. 8 of the Trade Descriptions Act 2011 (criminal charges);

(b) first defendant had pleaded guilty to criminal charges and was fined a total of RM318,000 (RM318,000 fine); and

(c) RM318,000 fine had been personally paid by third defendant

[19] The plaintiffs' sworn averment in their affidavits that third defendant had personally paid RM318,000 fine, had not been denied by third defendant in his affidavit in opposition to four amended SJ applications. It is trite law that any factual averment in a party's affidavit which has not been denied by the opposing party by way of affidavit, is deemed to be admitted by the opposing party - please see the Federal Court's judgment delivered by Chong Siew Fai CJ (Sabah & Sarawak) in *Sunrise Sdn Bhd v. First Profile (M) Sdn Bhd & Anor* [1997] 1 CLJ 529; [1996] 3 MLJ 533, at 541. Consequently, third defendant is deemed to have accepted plaintiffs' allegation that third defendant has personally paid RM318,000 fine.

[20] I am of the view that the two conditions for the application of case law exception, have been fulfilled in the four amended SJ applications. This decision is based on the following evidence and reasons:

(1) the first condition is satisfied (the piercing of first the defendant's corporate veil is in the interest of justice) as follows:

(a) third defendant was under no obligation whatsoever to pay RM318,000 fine for the first defendant and yet, the third defendant did so. It is inconceivable for any reasonable individual to pay a hefty fine imposed on a company if that individual is not the controller, *alter ego* and the "directing mind and will" of the company;

(b) the defence and affidavit of third defendant in all four suits, claimed to have resigned as a director of the first defendant "at the end of 2014". Such an allegation cannot be accepted for the following reasons:

(i) if third defendant had indeed resigned as a director of the first defendant, there would be no reason for third defendant to have personally paid RM318,000 fine for the first defendant;

(ii) plaintiffs' affidavits have exhibited a search dated 28 April 2016 from the records of Companies Commission of Malaysia (SSM) which showed that third defendant is still a director of the first defendant (SSM's record). No documentary evidence had been adduced by third defendant to show that SSM's record was erroneous and third defendant was no longer the first defendant's director; and

(iii) third defendant had not adduced any documentary evidence regarding his alleged resignation as the first defendant's director; and

(c) according to SSM's record, third defendant owns 170,000 paid-up shares (of nominal value of RM1 for each share) in first defendant. Hence, third defendant is not a complete stranger to first defendant. On the contrary, third defendant has a substantial financial interest in first defendant. There is no evidence that first defendant has any other business save for selling infringing goods. Accordingly, third defendant could not claim ignorance of first defendant's infringement when he had invested substantially in first defendant which only sold infringing goods; and

(2) the second condition is fulfilled in four suits because there exist the following special circumstances to pierce first defendant's corporate veil:

(a) third defendant should not evade statutory liability for trade mark infringement under s. 38(1)(a) of the TMA owed to plaintiffs; and/or

(d) first defendant's corporate personality should not be abused by third defendant.

[21] Additionally or alternatively:

(a) third defendant has the legal onus to raise a triable issue so as to resist successfully four amended SJ applications (please see the above sub-para. 7(1)). Based on the evidence and reasons as elaborated in the above para. 20, I am not satisfied that third defendant has successfully discharged the legal burden to raise an issue which should be tried in the four suits; and

(b) there is no "other reason for trial" in the four suits as there is no circumstance which ought to be investigated in these cases, especially in light of third defendant's payment of RM318,000 fine for first defendant.

[22] I am constrained to reject the following contentions advanced by third defendant's learned counsel:

(i) the four suits and four amended SJ applications are not based on fraud but are premised on trade mark infringement under s. 38(1)(a) of the TMA; and

(ii) third defendant can be the controller, *alter ego* and the "directing mind and will" of first defendant so as to be personally responsible for first defendant's infringement without:

(a) being involved in the daily management of first defendant;

(b) having possession of documents regarding infringing goods; and

(c) being convicted of any offence under TMA and/or TDA in respect of infringing goods. It is to be noted that the criminal charges are separate from the four suits.

Court's Decision

[23] Premised on the above evidence and reasons, the following summary judgment is granted against third defendant (summary judgment):

(i) a perpetual injunction to restrain third defendant from infringing plaintiffs' registered trade marks;

(ii) a perpetual mandatory injunction to compel third defendant to:

(a) deliver infringing goods to plaintiffs' solicitors within seven days from the date of summary judgment;

(b) deliver all documents and records regarding infringing goods to plaintiffs' solicitors within seven days from the date of summary judgment;

(c) affirm, file and serve an affidavit on plaintiffs' solicitors which verifies the execution of the above delivery orders;

(d) disclose information within seven days from the date of summary judgment regarding the suppliers, customers and details of supply and offer of infringing goods; and

(e) affirm, file and serve an affidavit on plaintiffs' solicitors which verifies the disclosure of the above information;

(iii) Inquiry to be held by learned Registrar to ascertain assessed damages;

(iv) an order that third defendant shall pay assessed damages to plaintiffs;

(v) an order that third defendant shall pay to plaintiffs interest at the rate of 5% per annum on assessed damages from the date of summary judgment until the date of full payment of assessed damages;

(vi) costs of inquiry shall be determined by learned Registrar and shall be paid by third defendant to plaintiffs;

(vii) costs of RM8,000 for each of four amended SJ applications shall be paid by third defendant to plaintiffs; and

(viii) an allocatur fee shall be imposed on all the above costs in accordance with O. 59 r. 7(4) of the RC.